

Message Text

UNCLASSIFIED

PAGE 01 STATE 196338

20

ORIGIN L-03

INFO OCT-01 EUR-25 ISO-00 SWF-02 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-03 INR-11 NSAE-00 RSC-01 CIEP-03

SP-03 STR-08 TRSE-00 LAB-06 SIL-01 SAM-01 OMB-01 /102 R

DRAFTED BY L/M:JABOYD:EJS
APPROVED BY L/SFP:LGFIELDS
EUR/RPE:WARREN CLARK
EB/OMA C.CUNDIFF (INFO)
TREASURY:H.HAPPEL
DESIRED DISTRIBUTION
TREASURY: H.HAPPEL

----- 060248

R 062244Z SEP 74
FM SECSTATE WASHDC
TO USMISSION EC BRUSSELS
INFO USMISSION OECD PARIS
AMEMBASSY ROME

UNCLAS STATE 196338

E.O. 11652: N/A

TAGS: EFIN

SUBJECT: FOREIGN TAXATION OF USG EXPENDITURES ABROAD

REF: 2 FAM 265; AIRGRAM EC A-322 OF AUGUST 22, 1973

1. SINCE 1970 THE STATE/DEFENSE INTERDEPARTMENTAL COMMITTEE ON FOREIGN TAX RELIEF HAS BEEN CONCERNED WITH EFFORTS TO REDUCE TO A MINIMUM THE FOREIGN TAXATION OF ALL UNITED STATES GOVERNMENT EXPENDITURES MADE ABROAD. THE OFFICE OF THE LEGAL ADVISER IN THE DEPT OF STATE HAS BEEN DESIGNATED AS THE CENTRAL OFFICE RESPONSIBLE FOR WORLD-WIDE FOREIGN TAX RELIEF MATTERS WITHIN THE DEPT. HITHERTO PRIORITY ATTENTION AND EFFORTS HAVE BEEN GIVEN TO EXPENDITURES MADE ABROAD BY THE DEPT OF DEFENSE FOR THE COMMON DEFENSE (SEE 2 FAM 265 OF NOVEMBER 4, 1970). NOW THERE IS A GROWING CONCERN WITH TAXATION ON U.S. DIPLOMATIC
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 STATE 196338

AND CONSULAR EXPENDITURES. THE LEGAL ADVISER HAS

ASSIGNED RESPONSIBILITY FOR MONITORING THESE VARIOUS FORMS OF TAXATION IMPOSED BY FOREIGN GOVERNMENTAL AUTHORITIES TO THE ASSISTANT LEGAL ADVISER FOR SPECIAL FUNCTION PROBLEMS WHO IN HIS CAPACITY AS CHAIRMAN OF THE INTER-AGENCY COMMITTEE HAS VISITED ALL NINE OF THE EC COUNTRIES AND SEVERAL OF THE ASSOCIATE COUNTRIES TO DISCUSS EXEMPTION POLICIES UNDER THE RESPECTIVE VALUE ADDED TAX (VAT) APPARATUS OF EACH COUNTRY. DURING THESE DISCUSSIONS, WIDE DISPARITIES WERE FOUND IN THE APPROACHES TO GRANTING EXEMPTIONS, WHICH HAS LEAD THE COMMITTEE TO CONCLUDE

THAT EXPLORATIONS OF THE OVERALL QUESTION OF TAX EXEMPTION WITH APPROPRIATE EXPERTS IN THE EEC WOULD BE USEFUL.

2. SUBJECT TO MISSION CONCURRENCE, THE CHAIRMAN AND MEMBERS OF A SUBCOMMITTEE OF THE INTERAGENCY COMMITTEE CONTEMPLATE A VISIT TO BRUSSELS TO EXPLORE EEC POLICIES AND PRACTICES WITH RESPECT TO THE LIABILITY OF USG AND OTHER COUNTRIES FOR THE PAYMENT OF VAT ON THEIR OFFICIAL EXPENDITURES IN EEC COUNTRIES, INCLUDING CONSTRUCTION OF EMBASSY FACILITIES AND THE PURCHASE OF EMBASSY SUPPLIES. THE COMMITTEE IS ALSO INTERESTED IN EXEMPTION FOR US DIPLOMATIC PERSONNEL FROM VAT UNDER THE VIENNA CONVENTION ON DIPLOMATIC IMMUNITY (TIAS 7502). WHILE THE COMMITTEE IS MINDFUL OF THE EUROPEAN POSITION THAT VAT IS AN INDIRECT TAX AND THEREFORE EXCEPTED FROM THE GENERAL EXEMPTION FROM TAXATION PROVIDED UNDER ARTICLE 34 OF THE CONVENTION, IT WOULD LIKE TO DISCUSS SEVERAL LEGAL DIFFERENCES WITH REGARD TO THAT POSITION. THE SUBCOMMITTEE WOULD BE INTERESTED IN DISCUSSING THE HARMONIZATION EFFORTS FOUND IN THE EC COMMISSION PROPOSAL FOR THE SIXTH COUNCIL DIRECTIVE ON THE HARMONIZATION OF LEGISLATION OF MEMBER STATES ON TURNOVER TAXES SUBMITTED ON JUNE 20, 1973, AT BRUSSELS (COM(73)950) AS DESCRIBED IN REFERENCED AIRGRAM OF AUGUST 22, 1973. (SEE ARTICLE 15(6).) IN PREPARATION FOR THIS VISIT, THE COMMITTEE WOULD APPRECIATE THE ADVICE OF THE MISSION ON THE JURIDICAL POWERS OF THE EEC TO PROVIDE SPECIFIC EXEMPTION UNDER HARMONIZATION DIRECTIVES, THE FEASIBILITY OF EXPLORATORY TALKS WITH EEC TAX EXPERTS ON BROAD RANGE OF ISSUES PRESENTED IN OBTAINING EXEMPTIONS

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 STATE 196338

FOR DIPLOMATIC AND CONSULAR EXPENDITURES, AND THE DISPOSITION OF THE EEC TO DISCUSS THIS ISSUE. COMMITTEE FEELS THAT SUCH DISCUSSIONS WOULD BE HELPFUL IN DETERMINING THE APPROPRIATE ACTION OF THE USG TO ACHIEVE TAX RELIEF FOR ITS OFFICIAL EXPENDITURES IN THE EEC. (FYI: COMMITTEE WOULD, OF COURSE, NOT WISH TO REVEAL INFORMATION GAINED FROM INDIVIDUAL EEC COUNTRIES TO THE EEC ITSELF BUT WISH TO CONFINE ITSELF TO EXPLORING THE BASIC ECONOMIC AND

LEGAL RATIONALE FOR EXEMPTION OR NON-EXEMPTION.)

3. IN THE EVENT THAT THE MISSION CONCURS IN THIS VISIT, THE COMMITTEE WOULD HOPE TO BE IN BRUSSELS IN THE WEEK OF SEPTEMBER 30 FOR DISCUSSIONS. SHOULD THIS DATE BE INAPPROPRIATE DUE TO THE UNAVAILABILITY OF KNOWLEDGEABLE EEC OR MISSION OFFICIALS, ADVICE AS TO AN ALTERNATIVE DATE WOULD BE APPRECIATED. KISSINGER

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TAX RATES, GOVERNMENT EXPENDITURES
Control Number: n/a
Copy: SINGLE
Draft Date: 06 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE196338
Document Source: CORE
Document Unique ID: 00
Drafter: JABOYD:EJS
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740249-0382
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740967/aaaaceoc.tel
Line Count: 123
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN L
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 2 FAM 265; AIRGRAM EC A-322 OF AUGUS, T 22, 1973
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 02 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 APR 2002 by maustmc>; APPROVED <16 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FOREIGN TAXATION OF USG EXPENDITURES ABROAD
TAGS: EFIN, US
To: EC BRUSSELS
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005